

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF DELAWARE

IN THE MATTER OF THE APPLICATION OF)
DELMARVA POEWR & LIGHT COMPANY)
TO ESTABLISH THE RATE FOR THE UTILITY)
FACILITY RELOCATION CHARGE TO) PSC DOCKET NO. 15-1011
RECOVER COSTS INCURRED IN)
CONNECTION WITH THE RELOCATION OF)
GAS UTILITY FACILITIES)
(FILED MAY 28, 2015))

ORDER NO. 8971

AND NOW, this 1st day of November, 2016, the Delaware Public Service Commission ("Commission") determines and orders the following:

WHEREAS, under the provisions of 26 *Del. C.* §315, electric and natural gas utilities may calculate and collect a "Utility Facility Relocation Charge" ("UFRC Rate"), which allows the utility to promptly begin to recover depreciation expenses and a return on capital invested in "eligible utility facility relocations" put into service between rate cases; and

WHEREAS, under the statutory scheme, a particular natural gas utility's UFRC Rate, once initiated, may thereafter be adjusted on a semi-annual basis to reflect eligible improvements put into service within the preceding six months. See 26 *Del. C.* §§315(c) and 314(b)(1) et seq.;¹ and

¹The Commission has explained the DSIC Rate mechanism, the basis for the UFRC Rate mechanism, in detail in PSC Order No. 5850 (December 11, 2001).

WHEREAS, on May 29, 2015 Delmarva Power & Light Company ("Delmarva") filed an application in PSC Docket No. 15-1011 to set its first UFRC Rate of 1.74% effective on July 1, 2015; and

WHEREAS, on June 16, 2015, the Commission adopted Order No. 8755, which opened Docket No. 15-1011 and approved Delmarva's application to allow UFRC treatment for all eligible utility facility relocations incurred from January 1, 2013, through March 31, 2015,² and in so doing set its UFRC Rate at 1.74%, to recover \$556,395.45 in revenues, effective July 1, 2015, subject to annual review, audit, and reconciliation by the Commission Staff ("Staff"); and

WHEREAS, on April 21, 2016, Staff began conducting an audit of Delmarva's calculations contained in Docket No. 15-1011 and found no discrepancies. Staff also found that the infrastructure included for UFRC Rate consideration was in compliance with the Delaware Code and the UFRC Rates which the Commission previously approved in Order No. 8755. Specifically, Staff found that (i) Delmarva's rate of return did not exceed its last authorized rate of return; (ii) Delmarva collected \$480,648 in UFRC revenues for PSC Docket No. 15-1011, which was \$75,748 below the projected UFRC revenue; (iii) the plant portion of Delmarva's UFRC Rate calculation met the statutory requirements of eligible utility facility relocations; and (iv) plant additions were correctly included in Delmarva's UFRC Rate based on queries run in Delmarva's SAP billing data system; and

² See Order No. 8755 n. 1

WHEREAS, Staff found that the UFRC Rate collected during the period July 1, 2015 - December 31, 2015 resulted in a total under-collection of \$75,748³; and

WHEREAS, in the calculation of UFRC Rate collected during the subsequent period January 1, 2016 through June 30, 2016, in Docket No. 15-1601 Delmarva included \$2,008.58 of the \$75,748 under-collection subject to annual audit and reconciliation; and

WHEREAS, in Order No. 8912,⁴ the Commission allowed Delmarva to put into effect its calculated UFRC Rate, including the \$73,738.95 of remaining under-collected revenue during the period July 1, 2016 through December 31, 2016 subject to annual audit and reconciliation; and

WHEREAS, based on precedent for the Distribution System Improvement Charge ("DSIC"), the Commission held that UFRC/DSIC rates should be reset "to zero at the time [Delmarva's] interim rates from the pending rate case are allowed to go into effect;"⁵ and

WHEREAS, Delmarva's interim rates from its pending rate case went into effect on July 16, 2016; and

WHEREAS, Staff is recommending that the Commission not allow Delmarva to collect the \$73,738.95 under-recovery from the rate effective period June 1, 2015 - December 31, 2015.

³ Delmarva included this under-recovery in its UFRC calculations in Docket Nos. 15-1601 & 16-0672

⁴ Order No. 8912 (July 12, 2016).

⁵ *Id.* at 2-3.

WHEREAS, based on Staff's audit of the eligible utility facility relocations claimed by Delmarva in Docket No. 15-1011 and the revenues collected by Delmarva under this UFRC Rate, Staff recommends that Delmarva's UFRC Rate of 1.74%, in effect during the period July 1, 2015 through December 31, 2015, be approved as final; and

WHEREAS, Staff recommends that the Commission formally close PSC Docket No. 15-1011; and

WHEREAS, Staff further reports that it has shared its findings with the Delaware Division of the Public Advocate and Delmarva, and there do not appear to be any objections to the closing of these dockets;

**NOW THEREFORE, IT IS ORDERED BY THE AFFIRMATIVE VOTE
OF NOT FEWER THAN THREE COMMISSIONERS:**

1. Under the provisions of 26 Del. C. §§315(c) and 314(b)(1) et seq., the Commission hereby approves Delmarva's UFRC Rate of 1.74%(effective July 1, 2015 through December 31, 2015),

2. The under-recovery in the amount of \$73,738.95 from the rate effective period of July 1, 2015 - December 31, 2015 will not be allowed since these facilities were included in the rate base that was in the test year of the pending rate case.

3. Nothing in this Order shall preclude the examination and challenge of Delmarva's claims in any base rate proceeding.

4. The annual audit of the filing made in PSC Docket no. 15-1011 is concluded, and these dockets are hereby closed.

5. The Commission reserves the jurisdiction and authority to enter such further orders in these dockets as may be deemed necessary or proper.

BY ORDER OF THE COMMISSION:

Chair

Commissioner

Commissioner

Commissioner

Commissioner

ATTEST:

Secretary